

AMENDED IN SENATE APRIL 10, 2014

SENATE BILL

No. 1078

Introduced by Senator Jackson

February 19, 2014

An act to amend Section 345.5 of, *and to add Section 636 to*, the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

SB 1078, as amended, Jackson. Electricity: ~~Independent System Operator~~. Emissions of greenhouse gases.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. The Public Utilities Act requires the Public Utilities Commission to review and accept, modify, or reject a procurement plan for each electrical corporation in accordance with specified elements, incentive mechanisms, and objectives. Existing law requires that in any long-term plan adopted by an electrical corporation, or in a procurement plan implemented by a local publicly owned electric utility, that the utility adopt a strategy applicable to both newly constructed or repowered generation owned and procured by the utility to achieve efficiency in the use of fossil fuels and to address carbon emissions.

The Warren-Alquist State Energy Resources Conservation and Development Act establishes the State Energy Resources Conservation and Development Commission. The act requires the State Energy Resources Conservation and Development Commission, beginning November 1, 2003, and by November 1 of every odd year thereafter, to adopt an integrated energy policy report which includes an overview of major energy trends and issues facing the state, an assessment and

forecast of system reliability, and the need for resource additions, efficiency, and conservation.

This bill would require the Public Utilities Commission and the State Energy Resources Conservation and Development Commission, by July 1, 2015, to calculate and identify an anticipated target for reducing emissions of greenhouse gases for the electrical industry to be achieved statewide by 2030, in order to reach anticipated statewide targets to be established for reducing emissions of greenhouse gases from the electrical industry by the year 2050. The bill would require that the targets be established consistent with 2 specified executive orders. The bill would require the State Energy Resources Conservation and Development Commission and the Public Utilities Commission to develop joint long-term electrical demand and generational resource portfolio forecasts to develop scenarios to achieve the anticipated targets.

The Public Utilities Act provides for the establishment of an Independent System Operator as a nonprofit, public benefit corporation. Existing law requires the Independent System Operator to manage the transmission grid and related energy markets in a manner that is consistent with (1) making the most efficient use of available energy resources, (2) reducing, to the extent possible, overall economic cost to the state's consumers, (3) applicable state law intended to protect the public's health and the environment, and (4) maximizing the availability of existing electric generation resources necessary to meet the needs of the state's electricity consumers.

~~This bill would revise the 4th requirement described above to require that in managing the transmission grid and related energy markets, the Independent System Operator do so consistent with maximizing utilization of existing electrical resources, including all cost-effective demand-side and renewable energy resources, that are connected to the distribution or transmission grid, as are necessary for reliable operation of the grid and sufficient to meet the needs of the state's electricity consumers.~~ *require the Independent System Operator to consider the joint long-term electrical demand and generational resource portfolio forecasts developed by the State Energy Resources Conservation and Development Commission and the Public Utilities Commission when undertaking long-term transmission planning and to advise the State Energy Resources Conservation and Development Commission and the Public Utilities Commission of any long-term resource actions that it recommends that would facilitate its management of the electrical grid*

in order to achieve compliance with the state’s long-term policy goals of reducing emissions of greenhouse gases. The bill would require the Independent System Operator to undertake its transmission planning consistent with the requirements of the bill. The bill would require the Public Utilities Commission to consider any recommendations made by the Independent System Operator when acting on a long-term procurement plan submitted by an electrical corporation and would require the State Energy Resources Conservation and Development Commission to consider any recommendations made by the Independent System Operator when adopting an integrated energy policy report.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 345.5 of the Public Utilities Code is
2 amended to read:
3 345.5. (a) The Independent System Operator, as a nonprofit,
4 public benefit corporation, shall conduct its operations consistent
5 with applicable state and federal laws and consistent with the
6 interests of the people of the state.
7 (b) To ensure the reliability of electric service and the health
8 and safety of the public, the Independent System Operator shall
9 manage the transmission grid and related energy markets in a
10 manner that is consistent with all of the following:
11 (1) Making the most efficient use of available energy resources.
12 For purposes of this section, “available energy resources” include
13 energy, capacity, ancillary services, and demand bid into markets
14 administered by the Independent System Operator. “Available
15 energy resources” do not include a schedule submitted to the
16 Independent System Operator by an electrical corporation or a
17 local publicly owned electric utility to meet its own customer load.
18 (2) Reducing, to the extent possible, overall economic cost to
19 the state’s consumers.
20 (3) Applicable state law intended to protect the public’s health
21 and the environment, *including undertaking its transmission*
22 *planning consistent with the requirements of Section 636.*
23 (4) Maximizing availability of existing electric generation
24 resources necessary to meet the needs of the state’s electricity
25 consumers.

1 (5) Conducting internal operations in a manner that minimizes
2 cost impact on ratepayers to the extent practicable and consistent
3 with the provisions of this chapter.

4 (6) Communicating with all balancing area authorities in
5 California in a manner that supports electrical reliability.

6 (c) The Independent System Operator shall do all of the
7 following:

8 (1) Consult and coordinate with appropriate state and local
9 agencies to ensure that the Independent System Operator operates
10 in furtherance of state law regarding consumer and environmental
11 protection.

12 (2) Ensure that the purposes and functions of the Independent
13 System Operator are consistent with the purposes and functions
14 of nonprofit, public benefit corporations in the state, including
15 duties of care and conflict-of-interest standards for officers and
16 directors of a corporation.

17 (3) Maintain open meeting standards and meeting notice
18 requirements consistent with the general policies of the
19 Bagley-Keene Open Meeting Act (Article 9 (commencing with
20 Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of
21 the Government Code) and affording the public the greatest
22 possible access, consistent with other duties of the corporation.
23 The Independent System Operator's Open Meeting Policy, as
24 adopted on April 23, 1998, and in effect as of May 1, 2002, meets
25 the requirements of this paragraph. The Independent System
26 Operator shall maintain a policy that is no less consistent with the
27 Bagley-Keene Open Meeting Act than its policy in effect as of
28 May 1, 2002.

29 (4) Provide public access to corporate records consistent with
30 the general policies of the California Public Records Act (Chapter
31 3.5 (commencing with Section 6250) of Division 7 of Title 1 of
32 the Government Code) and affording the public the greatest
33 possible access, consistent with the other duties of the corporation.
34 The Independent System Operator's Information Availability
35 Policy, as adopted on October 22, 1998, and in effect as of May
36 1, 2002, meets the requirements of this paragraph. The Independent
37 System Operator shall maintain a policy that is no less consistent
38 with the California Public Records Act than its policy in effect as
39 of May 1, 2002.

SEC. 2. *Section 636 is added to the Public Utilities Code, to read:*

636. (a) *The commission and Energy Commission shall, by July 1, 2015, calculate and identify an anticipated target for reducing emissions of greenhouse gases for the electrical industry to be achieved statewide by 2030, in order to reach anticipated statewide targets to be established for reducing emissions of greenhouse gases from the electrical industry by the year 2050. The anticipated targets shall be consistent with Governor's Executive Order S-03-05 (June 1, 2005), as modified by Governor's Executive Order B-18-12 (April 25, 2012). The statewide anticipated emissions reduction targets for greenhouse gases for the electrical industry shall be measured in tons of carbon dioxide or carbon dioxide equivalent and percentage reductions from 2014 emissions.*

(b) *The commission and the Energy Commission shall develop joint long-term electrical demand and generational resource portfolio forecasts to develop scenarios to achieve the anticipated targets identified pursuant to subdivision (b). The long-term electrical demand forecasts shall consider the effects on electricity demand resulting from cost-effective and reasonably achievable energy efficiency and demand response measures, shall consider reasonably foreseeable future demand for electric vehicles, and shall consider other factors that may shift demand to the electrical industry from other industry sectors in order to reduce overall statewide emissions of greenhouse gases. The long-term generational portfolio forecasts shall include generation by eligible renewable energy resources procured by retail sellers and local publicly owned electric utilities, anticipated distributed generation, hydroelectric generation, anticipated resource flexibility from energy storage, and generation from burning of fossil fuels, including reasonably achievable technological improvements in generation.*

(c) *The Independent System Operator shall consider the joint long-term electrical demand and generational resource portfolio forecasts developed by the commission and the Energy Commission when undertaking long-term transmission planning. The Independent System Operator, when undertaking long-term transmission planning, shall assess the operational characteristics, locations, and combinations of cost-effective and reasonably*

1 *achievable energy efficiency and demand response measures and*
2 *generational resources, as well as expansion of, and improvements*
3 *to, the transmission grid, that would be needed to achieve the*
4 *state's long-term policy goals of reducing emissions of greenhouse*
5 *gases while managing the electrical grid consistent with the*
6 *requirements of Section 345.5. The Independent System Operator*
7 *shall advise the commission and the Energy Commission of any*
8 *long-term resource actions that it recommends that would facilitate*
9 *its management of the electrical grid in order to achieve*
10 *compliance with the state's long-term policy goals of reducing*
11 *emissions of greenhouse gases.*

12 *(d) (1) The commission shall consider any recommendations*
13 *made by the Independent System Operator pursuant to subdivision*
14 *(c) when acting on a long-term procurement plan submitted by an*
15 *electrical corporation pursuant to Section 454.5.*

16 *(2) The Energy Commission shall consider any*
17 *recommendations made by the Independent System Operator*
18 *pursuant to subdivision (c) when adopting an integrated energy*
19 *policy report pursuant to Section 25302 of the Public Resources*
20 *Code.*

21 ~~SECTION 1. Section 345.5 of the Public Utilities Code is~~
22 ~~amended to read:~~

23 ~~345.5. (a) The Independent System Operator, as a nonprofit,~~
24 ~~public benefit corporation, shall conduct its operations consistent~~
25 ~~with applicable state and federal laws and consistent with the~~
26 ~~interests of the people of the state.~~

27 ~~(b) To ensure the reliability of electric service and the health~~
28 ~~and safety of the public, the Independent System Operator shall~~
29 ~~manage the transmission grid and related energy markets in a~~
30 ~~manner that is consistent with all of the following:~~

31 ~~(1) Making the most efficient use of available energy resources.~~
32 ~~For purposes of this section, "available energy resources" include~~
33 ~~energy, capacity, ancillary services, and demand bid into markets~~
34 ~~administered by the Independent System Operator. "Available~~
35 ~~energy resources" do not include a schedule submitted to the~~
36 ~~Independent System Operator by an electrical corporation or a~~
37 ~~local publicly owned electric utility to meet its own customer load.~~

38 ~~(2) Reducing, to the extent possible, overall economic cost to~~
39 ~~the state's consumers.~~

1 ~~(3) Applicable state law intended to protect the public's health~~
2 ~~and the environment.~~

3 ~~(4) Maximizing utilization of existing electrical resources,~~
4 ~~including all cost-effective demand-side and renewable energy~~
5 ~~resources, that are connected to the distribution or transmission~~
6 ~~grid, as are necessary for reliable operation of the grid and~~
7 ~~sufficient to meet the needs of the state's electricity consumers.~~

8 ~~(5) Conducting internal operations in a manner that minimizes~~
9 ~~cost impact on ratepayers to the extent practicable and consistent~~
10 ~~with the provisions of this chapter.~~

11 ~~(6) Communicating with all balancing area authorities in~~
12 ~~California in a manner that supports electrical reliability.~~

13 ~~(e) The Independent System Operator shall do all of the~~
14 ~~following:~~

15 ~~(1) Consult and coordinate with appropriate state and local~~
16 ~~agencies to ensure that the Independent System Operator operates~~
17 ~~in furtherance of state law regarding consumer and environmental~~
18 ~~protection.~~

19 ~~(2) Ensure that the purposes and functions of the Independent~~
20 ~~System Operator are consistent with the purposes and functions~~
21 ~~of nonprofit, public benefit corporations in the state, including~~
22 ~~duties of care and conflict-of-interest standards for officers and~~
23 ~~directors of a corporation.~~

24 ~~(3) Maintain open meeting standards and meeting notice~~
25 ~~requirements consistent with the general policies of the~~
26 ~~Bagley-Keene Open Meeting Act (Article 9 (commencing with~~
27 ~~Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of~~
28 ~~the Government Code) and affording the public the greatest~~
29 ~~possible access, consistent with other duties of the corporation.~~
30 ~~The Independent System Operator's Open Meeting Policy, as~~
31 ~~adopted on April 23, 1998, and in effect as of May 1, 2002, meets~~
32 ~~the requirements of this paragraph. The Independent System~~
33 ~~Operator shall maintain a policy that is no less consistent with the~~
34 ~~Bagley-Keene Open Meeting Act than its policy in effect as of~~
35 ~~May 1, 2002.~~

36 ~~(4) Provide public access to corporate records consistent with~~
37 ~~the general policies of the California Public Records Act (Chapter~~
38 ~~3.5 (commencing with Section 6250) of Division 7 of Title 1 of~~
39 ~~the Government Code) and affording the public the greatest~~
40 ~~possible access, consistent with the other duties of the corporation.~~

1 ~~The Independent System Operator's Information Availability~~
2 ~~Policy, as adopted on October 22, 1998, and in effect as of May~~
3 ~~1, 2002, meets the requirements of this paragraph. The Independent~~
4 ~~System Operator shall maintain a policy that is no less consistent~~
5 ~~with the California Public Records Act than its policy in effect as~~
6 ~~of May 1, 2002.~~

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